

## **Energy Efficiency Study Committee**

*Thursday, October 18, 2007*

*Room 103, Supreme Court Chamber*

*Iowa State Capitol Building*

I would like to thank chairperson's Hogg and Reichert and the other members of the Energy Efficiency Study Committee for the opportunity to speak today.

The Iowa Bankers Association represents 385 commercial banks and savings institutions across the state – that's 92% of the industry. We represent banks in every size category from the largest regional and money center banks to small community institutions and everything in between. Our membership has a statewide presence with multiple institutions in every county in Iowa.

I have with me, Elizabeth Grob, Attorney, Ahlers & Conney in Des Moines. Elizabeth is bond counsel for the Iowa Energy Bank and will talk specifically about how the financing piece of the Energy Bank works. Before turning my time over to Elizabeth, I want to emphasize that I have talked with a number of banks about their role in providing financing for energy efficiency projects either with their local school districts or other public bodies. They have unanimously relayed to me that these are not difficult deals for banks. In fact, Iowa banks currently purchase in excess of \$3.8 billion in securities issued by state and political sub-divisions.

I'm going to focus my comments on school districts because that's who the Energy Bank is designed to help but keep in mind that banks provide energy efficiency financing for any public body. With regard to schools, the most common financial instrument used for energy upgrades is 1) a capital loan note which has a repayment stream of the schools general fund (state aid and property tax dollars) 2) a capital loan note paid from the property tax portion of the voter-approved physical plant and equipment levy, or 3) sales tax revenue bonds paid from revenues received from the School Infrastructure Local Option Sales Tax,

Both capital loan note structures are backed by the full faith and credit of the school district making them solid deals for banks and most likely multiple institutions are willing to bid on them. That translates into the public body receiving favorable interest rates.

The sales tax revenue bonds typically carry a slightly higher rate - but still a very favorable rate.

While these deals are not difficult for banks to finance at favorable rates, keep in mind that upgrading buildings to make them more energy efficient can be difficult decisions for the public body because it still requires them to make decisions about how to spend limited resources.

Suggestions the Iowa Bankers Association would offer for consideration by the Committee to help encourage or incent these decisions:

- Available revolving loan fund dollars to provide 0% financing to school districts to complete energy audits. (Cities and Counties typically have access to engineers to do this while schools do not.)
- Make sure the program is properly marketed through the appropriate user groups such as the Iowa School Board Association, the Iowa School Buildings and Grounds Association and the Iowa Association of School Business Officials.
- Consider funding to re-commission mechanical systems that are already in place to ensure they are operating properly over time.
- Consider incentives for schools to become LEED certified (Leadership in Energy and Environmental Design).
- And more controversial but perhaps worth considering is to allow schools to utilize their Board approved Physical Plant and Equipment Levy to repay energy notes, which they cannot currently borrow against.

I will defer the remainder of my time to Beth.